

CITY OF WHITE CITY
MORRIS COUNTY, KANSAS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

For the Year Ended December 31, 2011

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KS 66846

CITY OF WHITE CITY
MORRIS COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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ALDRICH & COMPANY, LLC

315 WEST MAIN
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Mayor and City Council
City of White City, Kansas

We have audited the accompanying primary government financial statements of the City of White City, Kansas, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of City of White City, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2010 financial statements and, in our report dated July 8, 2011, we expressed an unqualified opinion on the respective financial statements, taken as a whole, on the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The primary government financial statements referred to above do not include the financial data of component units of the City of White City, Kansas, as of December 31, 2011. Accounting principles generally accepted in the United States of America require the financial data of the City's component units to be reported with the financial data of the City, unless separate financial statements are also issued for the component unit. The city has not issued such financial statements. The effect on the primary government financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note A, the City of White City, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of variances between these regulatory practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of White City, Kansas, as of December 31, 2011, or the changes in its financial position, or, where applicable, its cash flows for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of White City, Kansas, as of December 31, 2011, and its cash receipts and expenditures and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note A.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants
July 6, 2012

City of White City
Morris County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 26,800	\$ 203,975	\$ 181,199	\$ 49,576	\$ 7,361	\$ 56,937
Special Revenue Funds						
Employee Benefits	188	19,449	19,637	0		0
Library	0	9,941	9,941	0		0
Special Highway	16,042	15,078	7,434	23,686	414	24,100
Special Parks & Recreation	6,627	14,351	14,611	6,367		6,367
Fire Equipment Reserve	5,001	1,286	0	6,287		6,287
Capital Improvement Reserve	54,942	15,000	28,815	41,127		41,127
Special Equipment Reserve	13,786	5,400	1,117	18,069		18,069
Enterprise Funds						
Water Utility	83,597	88,938	96,293	76,242	2,154	78,396
Sewer Utility	41,775	98,549	100,850	39,474	3,051	42,525
Total Reporting Entity	<u>\$ 248,758</u>	<u>\$ 471,967</u>	<u>\$ 459,897</u>	<u>\$ 260,828</u>	<u>\$ 12,980</u>	<u>\$ 273,808</u>

Composition of Cash:

Checking	\$ 213,415
Checking-Community building	2,005
Checking-Centennial park fund	726
Savings-water deposits	15,263
Certificates of Deposit	42,352
Petty cash	47
	<u>\$ 273,808</u>

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 2

Summary of Expenditures – Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2011

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 234,827	\$ 0	\$ 234,827	\$ 181,199	\$ 53,628
Special Revenue					
Employee Benefits	21,000		21,000	19,637	1,363
Library	10,500		10,500	9,941	559
Special Highway	23,000		23,000	7,434	15,566
Special Parks & Recreation	5,000	12,732	17,732	14,611	3,121
Enterprise					
Water Utility	97,819		97,819	96,293	1,526
Sewer Utility	107,940		107,940	100,850	7,090

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Morris County	\$ 93,637	\$ 97,193	\$ 99,998	\$ (2,805)
Sales tax	32,374	34,130	30,000	4,130
Franchise fees	17,765	17,656	17,000	656
Intergovernmental				
Local alcoholic liquor	1,080	489	900	(411)
Use of money and property				
Interest on idle funds	706	322	0	322
Rent	5,068	5,050	0	5,050
Miscellaneous Revenue				
Licences and permits	636	650	1,000	(350)
Fire Contracts	17,665	18,109	18,000	109
Donations & other	10,958	10,966	20,000	(9,034)
Reimbursed expense	2,771	10,458	0	10,458
State of Kansas SCIP grant	2,096	8,952	0	8,952
Transfer from other funds	0	0	20,000	(20,000)
Total Cash Receipts	184,756	203,975	206,898	(2,923)
Expenditures				
General government				
General administration	27,113	18,559	60,000	41,441
Personal services	38,362	44,274	42,500	(1,774)
Contractual	47,113	52,390	35,000	(17,390)
Commodities	6,767	6,855	0	(6,855)
Transfers to other funds	29,000	20,400	69,700	49,300
Total General government	148,355	142,478	207,200	64,722
Parks				
Contractual	7,466	11,561	0	(11,561)
Capital outlay	8,295	211	0	(211)
Total Parks	15,761	11,772	0	(11,772)
Rural fire				
Contractual	7,819	11,641	9,000	(2,641)
Commodities & equipment	11,577	10,439	15,044	4,605
Fireman's relief loan payment	3,583	3,583	3,583	0
Transfers to other funds	4,667	1,286	0	(1,286)
Total rural fire	27,646	26,949	27,627	678
Total Expenditures	191,762	181,199	234,827	53,628
Receipts Over (Under) Expenditures	(7,006)	22,776	\$ (27,929)	\$ 50,705
Unencumbered Cash, January 1	33,806	26,800		
Unencumbered Cash, December 31	\$ 26,800	\$ 49,576		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-2

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

EMPLOYEE BENEFITS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Morris County	\$ 6,403	\$ 5,600	\$ 5,785	\$ (185)
Employee contributions	<u>12,560</u>	<u>13,849</u>	<u>14,000</u>	<u>(151)</u>
Total cash receipts	<u>18,963</u>	<u>19,449</u>	<u>19,785</u>	<u>(336)</u>
Expenditures				
Employee benefits	<u>19,730</u>	<u>19,637</u>	<u>21,000</u>	<u>1,363</u>
Total expenditures	<u>19,730</u>	<u>19,637</u>	<u>21,000</u>	<u>1,363</u>
Receipts Over (Under) Expenditures	(767)	(188)	<u>\$ (1,215)</u>	<u>\$ 1,027</u>
Unencumbered Cash, January 1	<u>955</u>	<u>188</u>		
Unencumbered Cash, December 31	<u>\$ 188</u>	<u>\$ 0</u>		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-3

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

LIBRARY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Morris County	\$ 9,415	\$ 9,941	\$ 10,177	(236)
Expenditures				
Remitted to Library	<u>9,901</u>	<u>9,941</u>	<u>10,500</u>	<u>559</u>
Total expenditures	<u>9,901</u>	<u>9,941</u>	<u>10,500</u>	<u>559</u>
Receipts Over (Under) Expenditures	(486)	0	<u>\$ (323)</u>	<u>\$ 323</u>
Unencumbered Cash, January 1	<u>486</u>	<u>0</u>		
Unencumbered Cash, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-4

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas - gas tax	\$ 14,179	\$ 14,916	\$ 14,210	\$ 706
Interest on idle funds	<u>157</u>	<u>162</u>	<u>0</u>	<u>162</u>
Total cash receipts	14,336	15,078	14,210	868
Expenditures				
Street maintenance	<u>9,111</u>	<u>7,434</u>	<u>23,000</u>	<u>15,566</u>
Total expenditures	<u>9,111</u>	<u>7,434</u>	<u>23,000</u>	<u>15,566</u>
Receipts Over (Under) Expenditures	5,225	7,644	<u><u>\$ (8,790)</u></u>	<u><u>\$ 16,434</u></u>
Unencumbered Cash, January 1	<u>10,817</u>	<u>16,042</u>		
Unencumbered Cash, December 31	<u>\$ 16,042</u>	<u>\$ 23,686</u>		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-5

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

SPECIAL PARKS & RECREATION

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local alcoholic liquor	\$ 1,080	\$ 489	\$ 900	\$ (411)
State of Kansas SCIP grant	37,505	12,732	0	12,732
Other	2,180	1,130	0	1,130
Total Cash Receipts	40,765	14,351	900	13,451
Expenditures				
Park & recreation	4,701	849	5,000	4,151
Capital outlay	36,494	13,762	0	(13,762)
Adjustment for qualifying budget credits	0	0	12,732	12,732
Total Expenditures	41,195	14,611	17,732	3,121
Receipts Over (Under) Expenditures	(430)	(260)	\$ (16,832)	\$ 16,572
Unencumbered Cash, January 1	7,057	6,627		
Unencumbered Cash, December 31	\$ 6,627	\$ 6,367		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-6

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

FIRE EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 4,667	\$ 1,286
Other	<u>800</u>	<u>0</u>
Total Receipts	5,467	1,286
Expenditures		
Equipment	<u>15,236</u>	<u>0</u>
Receipts Over (Under) Expenditures	(9,769)	1,286
Unencumbered Cash, January 1	<u>14,770</u>	<u>5,001</u>
Unencumbered Cash, December 31	<u>\$ 5,001</u>	<u>\$ 6,287</u>

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-7

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

CAPITAL IMPROVEMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 24,000	\$ 15,000
Other	<u>0</u>	<u>0</u>
Total Cash Receipts	24,000	15,000
Expenditures		
Capital outlay	3,500	28,815
Other	<u>0</u>	<u>0</u>
Total Expenditures	<u>3,500</u>	<u>28,815</u>
Receipts Over (Under) Expenditures	20,500	(13,815)
Unencumbered Cash, January 1	<u>34,442</u>	<u>54,942</u>
Unencumbered Cash, December 31	<u>\$ 54,942</u>	<u>\$ 41,127</u>

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-8

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

SPECIAL EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers in	\$ 5,000	\$ 5,400
Other	0	0
Total Receipts	5,000	5,400
Expenditures		
Equipment	11,430	1,117
Receipts Over (Under) Expenditures	(6,430)	4,283
Unencumbered Cash, January 1	20,216	13,786
Unencumbered Cash, December 31	\$ 13,786	\$ 18,069

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-9

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 73,124	\$ 72,768	\$ 72,000	\$ 768
Water deposits	5,550	3,905	4,000	(95)
Other	4,791	3,895	0	3,895
Interest on idle funds	629	517	0	517
Reimbursed expense	0	7,853	0	7,853
Total Cash Receipts	<u>84,094</u>	<u>88,938</u>	<u>76,000</u>	<u>12,938</u>
Expenditures				
Personal services	20,123	21,023	20,200	(823)
Contractual services	13,586	18,748	17,000	(1,748)
Commodities	9,865	10,623	6,000	(4,623)
Water deposit refunds	4,318	4,662	5,000	338
Debt service	41,293	41,237	31,766	(9,471)
Transfers out	0	0	10,000	10,000
	<u>0</u>	<u>0</u>	<u>7,853</u>	<u>7,853</u>
Total Expenditures	<u>89,185</u>	<u>96,293</u>	<u>97,819</u>	<u>1,526</u>
Receipts Over (Under) Expenditures	(5,091)	(7,355)	<u>\$ (21,819)</u>	<u>\$ 14,464</u>
Unencumbered Cash, January 1	<u>88,688</u>	<u>83,597</u>		
Unencumbered Cash, December 31	<u>\$ 83,597</u>	<u>\$ 76,242</u>		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

Statement 3-10

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

SEWER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sewer charges for services	\$ 63,359	\$ 64,285	\$ 63,000	\$ 1,285
Trash collections	<u>35,290</u>	<u>34,264</u>	<u>34,000</u>	<u>264</u>
Total Cash Receipts	<u>98,649</u>	<u>98,549</u>	<u>97,000</u>	<u>1,549</u>
Expenditures				
Personal services	20,123	21,023	20,200	(823)
Contractual	23,830	21,163	15,000	(6,163)
Commodities	2,836	315	3,500	3,185
Refund of sewer charges	0	500	1,500	1,000
Trash hauling	33,471	34,110	34,000	(110)
Transfer to other funds	0	0	10,000	10,000
Debt service	<u>23,739</u>	<u>23,739</u>	<u>23,740</u>	<u>1</u>
Total Expenditures	<u>103,999</u>	<u>100,850</u>	<u>107,940</u>	<u>7,090</u>
Receipts Over (Under) Expenditures	(5,350)	(2,301)	<u>\$ (10,940)</u>	<u>\$ 8,639</u>
Unencumbered Cash, January 1	<u>47,125</u>	<u>41,775</u>		
Unencumbered Cash, December 31	<u>\$ 41,775</u>	<u>\$ 39,474</u>		

The accompanying notes are an integral part of this statement.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The more significant of the City's accounting policies are described below.

1. Reporting Entity

The City of White City, Kansas operates as a third class city in accordance with the laws of the State of Kansas. The City is governed by an elected mayor and five-member council. This report includes all services provided by the City to residents and businesses within its boundaries. Services provided include parks and recreation, fire protection, street maintenance and general administrative services. In addition, the City owns and operates two major enterprise activities, a water utility and local sewer system. The city also contracts for trash service.

The City is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. These financial statements present only the City of White City (the primary government). The City of White City has a component unit, the White City Public Library, which is not included in these financial statements. Component units are determined based on the significance of the operational and/or financial relationships with the City.

2. Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The city has approved a resolution, in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

3. Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as reservation of fund balances; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

4. Fund Accounting

The accounts of the city are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for separately. Funds are classified into three categories; governmental, proprietary and fiduciary. Within each of these three categories there are one or more fund types. The City uses the following fund types:

Governmental Fund Types

General Fund - The general fund is the general operating fund of the city and accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing water or services to the general public on a continuing basis is financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

5. Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- d. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- e. Adoption of final budget on or before August 25th.

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the budget amended. There were no such budget amendments during 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

5. Budgets (cont)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special revenue funds: Capital Improvements Fund, Equipment Reserve Fund and Special Equipment Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Adjustments Qualifying for Budget Credits

Budget credits must be authorized by Kansas Statutes. Examples include expenditures of federal grant moneys, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses. The adjustment for budget credits, when applicable, is presented in the financial statements to increase the legal budget amounts for the respective funds.

6. Investments and Depository Security

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities, repurchase agreements, temporary notes, no-fund warrants, the Kansas Municipal Investment Pool. The City or its agent in the City's name must hold all investments. The City has no investment policy that would further limit its investment choices.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt. A bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka may hold the collateral, which is valued at market value. All deposits were legally secured at December 31, 2011.

7. Ad Valorem Tax Revenues and Property Taxes

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property tax is due December 20th prior to the fiscal year for which they are budgeted, and the second half is due the following May 10th. The county treasurer collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operation.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

7. Ad Valorem Tax Revenues and Property Taxes

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the county treasurer at year end and, further, the amounts are not material in relationship to the financial statements taken as a whole.

8. Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. The related disbursements was made in the current year on behalf of the payee,
2. The item paid for was directly identifiable as having been used by or provided to the payee, and
3. The amount of the reimbursement is directly related to the amount of the original cash disbursement.

9. Inventories and Prepaid Expenses

Inventories and prepaid expenses that benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

10. Compensated Absences

Full time city employees may earn up to two weeks of paid vacation per year. Payment in lieu of the vacation days is not permitted and the carry-over may accumulate to a maximum of fifteen days. Vacation leave is payable upon termination. Full time employees also earn up to three days per year sick leave and can be carried-over to a maximum of forty-five days. The costs of accumulated compensated absences are not recorded at the time the benefits are accumulated, but rather at the time such benefits are paid from the fund that corresponds to the employees duties. No estimate has been made of the total accumulated leave nor has any been included in these statements.

NOTE B - DEPOSITS AND INVESTMENTS

Cash balances from all funds are combined and invested, to the extent possible in interest bearing accounts and certificates of deposit. All investments are stated at cost. Earnings from these investments, unless specifically designated, are allocated to the general fund. All investments are held in the City's name.

At year-end the carrying amount of the city's deposits, excluding petty cash funds, was \$273,761. Actual bank statement balances were \$276,251. The difference between the carrying amount and the bank balance is composed of checks that have not cleared and deposits in transit. Of the bank balance, \$250,000 was covered by federal deposit insurance and \$26,251 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank is independent of the pledging bank.

NOTE C – LONG TERM DEBT

The City entered into a loan agreement with the White City Fireman's Relief Association for a portion of the purchase price of a new fire truck on July 28, 2006. The original amount of the loan was for \$20,000 with an interest rate of 6%. Annual payments of \$3,583 began on July 28, 2007 and will continue through July 28, 2013. Payments on this loan are made from the General Fund.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE C – LONG TERM DEBT (CONT)

The city entered into a lease agreement with Central National Bank for the purchase of a storm siren on April 6, 2010. Ten annual payments of \$2,496 are scheduled beginning April 9, 2011. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor.

The City entered into a loan agreement with the Kansas Department of Health and Environment on May 7, 2001 for the construction of a three-cell sewage facility. The total amount borrowed was \$373,792. Semi-annual payments of \$11,870 are made each year on March 1 and September 1, to be paid from revenues of the Sewer Utility. The loan carries an interest rate of 3.11% and is scheduled to mature on September 1, 2022. No lien or other security interest is granted to the Kansas Department of Health and Environment, however should Sewer Utility revenues be insufficient to pay costs of operation and maintenance of the system and pay the principal, interest and other amounts due under the loan agreement, the City shall levy ad valorem taxes to produce the required amounts

The City entered into a loan agreement with the Kansas Department of Health and Environment on December 15, 2005 for water system improvements. The total loan amount was \$599,777, which includes loan costs and interest during construction that were added to the loan balance. Semi-annual payments of \$15,883 were made from Aug 1, 2007 to Aug 1, 2009. The payment increased to \$20,675 on Feb 1, 2010, and was changed to \$20,619 on Aug 1, 2010. Payments of \$20,619 are now due on Feb 1 and Aug 1 each year to be paid from revenues of the Water Utility. The loan carries an interest of 3.55%, and is scheduled to mature on February 1, 2027. No lien or other security interest is granted to the Kansas Department of Health and Environment, however should Water Utility revenues be insufficient to pay costs of operation and maintenance of the system and pay the principal, interest and other amounts due under the loan agreement, the City shall levy ad valorem taxes to produce the required amounts.

Changes in long term debt are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Fireman's Relief										
Assn Loan	6.00%	7/28/2006	\$ 20,000	7/28/2013	\$ 9,577	\$ 0	\$ 3,009	\$ 0	\$ 6,568	\$ 575
Capital Leases										
Storm Siren	4.25%	4/6/10	19,992	4/9/20	19,992	0	1,646	0	18,346	850
Revenue Bonds										
Sewer project	3.11%	5/17/01	500,000	9/1/22	236,244	0	16,520	0	219,724	7,220
Water project	3.55%	12/15/05	599,777	2/1/27	511,625	0	23,279	0	488,346	17,958
Total revenue bonds					<u>747,869</u>	<u>0</u>	<u>39,799</u>	<u>0</u>	<u>708,070</u>	<u>25,178</u>
Total Long-Term Debt					<u>\$ 777,438</u>	<u>\$ 0</u>	<u>\$ 44,454</u>	<u>\$ 0</u>	<u>\$ 732,984</u>	<u>\$ 26,603</u>

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE C – LONG TERM DEBT (CONT)

Maturities of the loan for the next five years and in five year increments thereafter are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>Total</u>
PRINCIPAL									
Fireman's Relief Assn	\$ 3,188	\$ 3,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,568
Storm Siren Lease	1,716	1,789	1,865	1,945	2,027	9,004	0	0	18,346
Sewer Project-KDHE	17,038	17,571	18,122	18,690	19,276	105,830	23,197	0	219,724
Water Project-KDHE	<u>24,113</u>	<u>24,977</u>	<u>25,871</u>	<u>26,798</u>	<u>27,758</u>	<u>154,431</u>	<u>184,139</u>	<u>20,259</u>	<u>488,346</u>
TOTAL PRINCIPAL	<u>46,055</u>	<u>47,717</u>	<u>45,858</u>	<u>47,433</u>	<u>49,061</u>	<u>269,265</u>	<u>207,336</u>	<u>20,259</u>	<u>732,984</u>
INTEREST									
Fireman's Relief Assn	395	203	0	0	0	0	0	0	598
Storm Siren Lease	780	707	631	551	469	980	0	0	4,118
Sewer Project-KDHE	6,702	6,168	5,617	5,049	4,464	12,868	542	0	41,410
Water Project-KDHE	<u>17,124</u>	<u>16,261</u>	<u>15,366</u>	<u>14,439</u>	<u>13,479</u>	<u>51,756</u>	<u>22,049</u>	<u>359</u>	<u>150,833</u>
TOTAL INTEREST	<u>25,001</u>	<u>23,339</u>	<u>21,614</u>	<u>20,039</u>	<u>18,412</u>	<u>65,604</u>	<u>22,591</u>	<u>359</u>	<u>196,959</u>
TOTAL PRINCIPAL AND INTEREST	<u>\$ 71,056</u>	<u>\$ 71,056</u>	<u>\$ 67,472</u>	<u>\$ 67,472</u>	<u>\$ 67,473</u>	<u>\$ 334,869</u>	<u>\$ 229,927</u>	<u>\$ 20,618</u>	<u>\$ 929,943</u>

NOTE D - PENSION PLAN

The City of White City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% or 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for 2011 was 7.74% with a 1% reduction for April through June. The City of White City's employer contributions to KPERS for the year ended December 31, 2011, 2010 and 2009 were \$4,414, \$3,857 and \$2,280 respectively, equal to the required contributions for each year.

NOTE E – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

City of White City
Morris County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE F - TRANSFERS

During 2011, the City made transfers to (1) move revenues from the fund required to collect them to the funds required to expend them, (2) move revenues to fund capital projects, (3) move revenues to reserve funds, or (4) move revenues to comply with contractual agreements. Interfund transfers for the year ended December 31, 2011, consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Statutory Authority</u>
General Fund	Capital Improvement Reserve	\$15,000	12-1,118
General Fund	Special Equipment Reserve	5,400	12-1,117
General Fund	Fire Equipment Reserve	1,286	12-1,117

NOTE G – DEPOSITS

The City requires all customers to provide a security deposit for water and sewer service of \$150. Customer's deposits are refunded with applicable interest after three years with consecutive timely payments or when the customer moves and terminates service. Deposit detail is maintained by customer. It is impracticable to recreate a total as of a specific date, and therefore, no amount is included on the long term debt schedule.

NOTE I – ESTIMATES

The preparation of financial statements in conformity with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ.

NOTE J – LEASES

The City leases the post office building to the United States Postal Service. The current five year lease on the building began on January 1, 2010 and ends on December 31, 2014 with an annual rental of \$4,800 per year. The Postal Service may terminate this lease at any time by giving thirty days written notice to the City.

NOTE K – COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and legal representatives of the municipality.

Management is not aware of any statutory violations for the period covered by this audit.

NOTE L – PRIOR YEAR CHANGES

The beginning unencumbered fund balance of the general fund was increased and the special parks fund decreased by \$2,728 due to misclassifications of reimbursed expenses between the two funds in the prior year. The prior year comparative amounts have been corrected to record the reimbursed expense in the correct fund also.